

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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Woodward-Granger Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2006 election)		
Lance Kooiker	President	2008
Howard Schutt	Vice President	2007
Max Phillips	Board Member (Resigned)	2008
Jim Gibson	Board Member	2007
Jane Sweeney	Board Member	2006
Mark Roberts	Board Member (Appointed)	2006
Board of Education		
(After September 2006 election)		
Lance Kooiker	President (Resigned)	2008
Howard Schutt	Vice President (Appointed President)	2007
Jim Gibson	Board Member	2007
Mark Roberts	Board Member	2008
Jane Sweeney	Board Member	2009
Jennifer Pierce	Board Member (Appointed)	2008
School Officials		
Jody Gray	Superintendent	2007
Debbie Barron	District Secretary/ Treasurer and Business Manager (Resigned)	2007
Bob Torrence	District Secretary/ Treasurer and Business Manager (Appointed)	2007
Ahlers Law Firm	Attorney	2007

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Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Woodward-Granger Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Woodward-Granger Community School District, College Springs, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Woodward-Granger Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

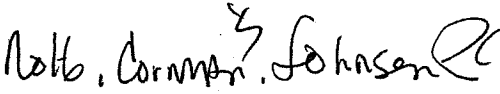
In accordance with Government Auditing Standards, we have also issued our report dated March 12, 2008 on our consideration of Woodward-Granger Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 38 through 39 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Woodward-Granger Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 12, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Woodward-Granger Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,106,655 in fiscal 2006 to \$8,910,007 in fiscal 2007, while General Fund expenditures increased from \$8,192,513 in fiscal 2006 to \$8,734,150 in fiscal 2007. This resulted in an increase in the District's General Fund balance from \$116,715 in fiscal 2006 to \$298,252 in fiscal 2007, a 155.54% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax and state grant revenue in fiscal 2007. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits, increased heating and busing costs, as well as additional costs associated with the Woodward Academy.
- An increase in interest rates during the past fiscal year, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone to increase from \$93,949 in fiscal year 2006 to \$128,314 in fiscal year 2007.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Woodward-Granger Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Woodward-Granger Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Woodward-Granger Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Woodward-Granger Community School District Annual Financial Report

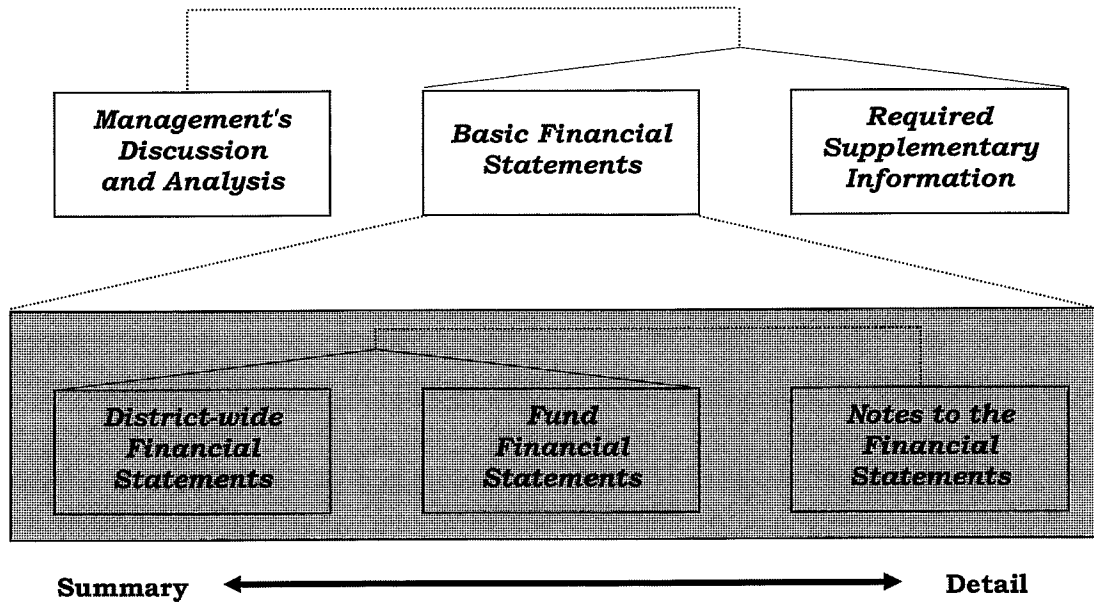


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to

measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private Purpose Trust and the Agency fund.
 - *Agency Fund* – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 7,438,718	6,778,737	29,429	2,466	7,468,147	6,781,203	10.13%
Capital assets	6,851,351	6,270,697	75,921	84,122	6,927,272	6,354,819	9.01%
Total assets	14,290,069	13,049,434	105,350	86,588	14,395,419	13,136,022	9.59%
Long-term obligations	4,085,126	4,140,254	0	0	4,085,126	4,140,254	-1.33%
Other liabilities	6,233,619	5,579,480	107,358	66,875	6,340,977	5,646,355	12.30%
Total liabilities	10,318,745	9,719,734	107,358	66,875	10,426,103	9,786,609	6.53%
Net assets:							
Invested in capital assets, net of related debt	2,963,301	2,971,088	75,921	84,122	3,039,222	3,055,210	-0.52%
Restricted	653,139	216,129	0	0	653,139	216,129	202.20%
Unrestricted	354,884	142,483	(77,929)	(64,409)	276,955	78,074	254.73%
Total net assets	\$ 3,971,324	3,329,700	(2,008)	19,713	3,969,316	3,349,413	18.51%

The District's combined net assets increased by 18.51%, or \$619,903, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$437,010, or 202.20% over the prior year. The increase was primarily a result of the reclassification of the Capital Projects and Debt Service Fund Balances from the invested in capital assets, net of related debt category to the restricted net assets category.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other

legal requirements – increased \$198,881, or 254.73%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the years ended June 30, 2007 and 2006.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 2,608,207	2,606,537	180,040	174,237	2,788,247	2,780,774	0.27%
Operating grants and contributions and restricted interest	933,476	958,412	91,990	75,821	1,025,466	1,034,233	-0.85%
Capital grants and contributions and restricted interest	226	3,418	0	0	226	3,418	-93.39%
General revenues:							
Property tax	2,911,707	2,521,679	0	0	2,911,707	2,521,679	15.47%
Local option sales and service tax	544,188	449,133	0	0	544,188	449,133	21.16%
Unrestricted state grants	3,060,558	2,637,747	0	0	3,060,558	2,637,747	16.03%
Other	182,417	129,390	0	0	182,417	129,390	40.98%
Total revenues	10,240,779	9,306,316	272,030	250,058	10,512,809	9,556,374	10.01%
Program expenses:							
Governmental activities:							
Instructional	6,541,776	6,169,184	0	0	6,541,776	6,169,184	6.04%
Support services	2,362,675	2,310,122	0	0	2,362,675	2,310,122	2.27%
Non-instructional programs	0	0	293,751	269,789	293,751	269,789	8.88%
Other expenses	694,704	608,002	0	0	694,704	608,002	14.26%
Total expenses	9,599,155	9,087,308	293,751	269,789	9,892,906	9,357,097	5.73%
Changes in net assets before other financing sources	641,624	219,008	(21,721)	(19,731)	619,903	199,277	211.08%
Other financing sources, net	0	0	0	79,360	0	79,360	-100.00%
Change in net assets	641,624	219,008	(21,721)	59,629	619,903	278,637	122.48%
Net assets beginning of year	3,329,700	3,110,692	19,713	(39,916)	3,349,413	3,070,776	9.07%
Net assets end of year	\$ 3,971,324	3,329,700	(2,008)	19,713	3,969,316	3,349,413	18.51%

In fiscal 2007, property tax and unrestricted state grants account for 58.3% of the revenue from governmental activities while charges for services and operating grants and contributions account for nearly 100% of the revenue from business type activities.

The District's total revenues were approximately \$10.5 million of which \$10.2 million was for governmental activities and \$.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 10.01% in revenues and a 5.73% increase in expenses. The increase in expenses was related to the increase in instructional costs during the year.

Governmental Activities

Revenues for governmental activities were \$10,240,779 and expenses were \$9,599,155.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 6,541,776	6,169,184	6.04%	3,280,353	2,852,093	15.02%
Support services	2,362,675	2,310,122	2.27%	2,317,947	2,268,482	2.18%
Other expenses	694,704	608,002	14.26%	458,946	398,366	15.21%
Totals	<u>\$ 9,599,155</u>	<u>9,087,308</u>	<u>5.63%</u>	<u>6,057,246</u>	<u>5,518,941</u>	<u>9.75%</u>

- The cost financed by users of the District's programs was \$2,608,207.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$933,702.
- The net cost of governmental activities was financed with \$2,911,707 in property tax, \$544,188 in local option sales and services tax, \$3,060,558 in unrestricted state grants, and \$148,647 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$272,030 and expenses were \$293,751. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Woodward-Granger Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$964,732, compared to last year's ending fund balances of \$991,959. However, the primary reason for the decrease in combined fund balances in fiscal 2007 is due to the decrease in the Capital Projects Fund.

Governmental Fund Highlights

- The District's General Fund financial position improvement from a \$116,715 to \$298,252 is the product of many factors:
 - Increases in local taxes and state grant revenues during the year resulted in an increase in revenues.

-
- The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures.
 - The increase in revenues was more than the increase in expenditures, resulting in a net increase of \$181,537.
 - The Capital Projects Fund balance decreased from \$469,372 in fiscal 2006 to \$329,711 in fiscal 2007. During the year, the District completed construction on the renovations and addition project at Woodward Elementary.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from a positive \$19,713 at June 30, 2006 to a deficit \$2,008 at June 30, 2007, representing a decrease of 110.19%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$358,266 more than budgeted revenues, a variance of 9.3%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practices, the certified budget was exceeded in the support services function.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$6.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$243,090.

The original cost of the District's capital assets was \$9.68 million. Governmental funds account for \$9.55 million with the remainder of \$.13 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$51,070 at June 30, 2007, compared to \$3,084,154 reported at June 30, 2006. This decrease resulted from the completion of the Woodward Elementary project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 14,204	14,204	0	0	14,204	14,204	0.00%
Construction in progress	51,070	3,084,154	0	0	51,070	3,084,154	-98.34%
Buildings	6,581,485	3,065,401	0	0	6,581,485	3,065,401	114.70%
Machinery and equipment	204,592	106,938	75,921	84,122	280,513	191,060	46.82%
Total	\$ 6,851,351	6,270,697	75,921	84,122	6,927,272	6,354,819	9.01%

Long-Term Debt

At June 30, 2007, the District had \$4,085,126 in general obligation and other long-term debt outstanding. This represents a decrease of 1.3% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$2,955,000 at June 30, 2007.

The District had total outstanding Revenue Bonds payable of \$880,000 at June 30, 2007.

The District had total outstanding Capital Leases payable from the Capital Projects Fund of \$53,050 at June 30, 2007.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$189,341 at June 30, 2007.

The District had total outstanding Compensated Absences payable from the General Fund of \$7,735 at June 30, 2007.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
General Obligation Bonds	\$ 2,955,000	3,180,000	-7.1%
Revenue Bonds	880,000	685,000	28.5%
Computer Leases	53,050	71,462	-25.8%
Early Retirement	189,341	192,749	-1.8%
Compensated Absences	7,735	11,043	-30.0%
Totals	\$ 4,085,126	4,140,254	-1.3%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

-
- Low allowable growth over several years is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
 - Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bob Torrence, District Secretary/Treasurer, Woodward-Granger Community School District, 306 West 3rd Street, Woodward, Iowa, 50276.

BASIC FINANCIAL STATEMENTS

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments:			
ISCAP(Note 5)	\$ 2,129,899	0	2,129,899
U.S. Treasury Securities on deposit with fiscal agent	178,555	0	178,555
Other	1,054,222	17,516	1,071,738
Receivables:			
Property tax:			
Delinquent	38,125	0	38,125
Succeeding year	2,717,346	0	2,717,346
Income surtax	265,664	0	265,664
Interfund	77,413	0	77,413
Accounts	10,766	9,379	20,145
Accrued ISCAP interest (Note 5)	27,516	0	27,516
Due from other governments	931,315	0	931,315
Inventories	0	2,534	2,534
Prepaid expenses	7,897	0	7,897
Capital assets, net of accumulated depreciation (Note 6)	6,851,351	75,921	6,927,272
Total Assets	14,290,069	105,350	14,395,419
Liabilities			
Interfund payable	0	76,663	76,663
Accounts payable	553,165	6,780	559,945
Salaries and benefits payable	741,910	20,166	762,076
ISCAP warrants payable (Note 5)	2,134,000	0	2,134,000
ISCAP accrued interest payable (Note 5)	14,740	0	14,740
ISCAP unamortized premiums payable	12,679	0	12,679
Accrued interest payable	25,297	0	25,297
Deferred revenue:			
Succeeding year property tax	2,717,346	0	2,717,346
Other	34,482	0	34,482
Unearned revenue	0	3,749	3,749
Long-term liabilities (Note 7):			
Portion due within one year:			
General obligation bonds payable	225,000	0	225,000
Revenue bonds payable	265,000	0	265,000
Computer lease payable	17,433	0	17,433
Early retirement payable	36,000	0	36,000
Compensated absences	7,735	0	7,735
Portion due after one year:			
General obligation bonds payable	2,730,000	0	2,730,000
Revenue bonds payable	615,000	0	615,000
Computer lease payable	35,617	0	35,617
Early retirement payable	153,341	0	153,341
Total Liabilities	10,318,745	107,358	10,426,103
Net Assets			
Invested in capital assets, net of related debt	2,963,301	75,921	3,039,222
Restricted for:			
Talanted and gifted	17,958	0	17,958
Beginning teacher mentoring	3,222	0	3,222
Salary improvement program	16,690	0	16,690
Additional teacher contract day	2,969	0	2,969
Professional development	2,379	0	2,379
Market factor	3,033	0	3,033
Debt service	183,439	0	183,439
Capital projects	329,711	0	329,711
Physical plant and equipment levy	36,834	0	36,834
Other special revenue purposes	56,904	0	56,904
Unrestricted	354,884	(77,929)	276,955
Total Net Assets	\$ 3,971,324	(2,008)	3,969,316

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 3,061,471	535,365	601,958	0	(1,924,148)	0	(1,924,148)
Special instruction	3,044,937	1,881,212	52,796	0	(1,110,929)	0	(1,110,929)
Other instruction	435,368	190,092	0	0	(245,276)	0	(245,276)
	6,541,776	2,606,669	654,754	0	(3,280,353)	0	(3,280,353)
Support services:							
Student services	198,282	0	0	0	(198,282)	0	(198,282)
Instructional staff services	192,916	0	0	0	(192,916)	0	(192,916)
Administration services	1,018,147	0	0	0	(1,018,147)	0	(1,018,147)
Operation and maintenance of plant services	616,961	0	0	0	(616,961)	0	(616,961)
Transportation services	336,369	1,538	43,190	0	(291,641)	0	(291,641)
	2,362,675	1,538	43,190	0	(2,317,947)	0	(2,317,947)
Other expenditures:							
Facilities acquisitions	107,915	0	0	226	(107,689)	0	(107,689)
Long-term debt interest	179,228	0	0	0	(179,228)	0	(179,228)
AEA flowthrough	235,532	0	235,532	0	0	0	0
Depreciation(unallocated)*	172,029	0	0	0	(172,029)	0	(172,029)
	694,704	0	235,532	226	(458,946)	0	(458,946)
Total governmental activities	9,599,155	2,608,207	933,476	226	(6,057,246)	0	(6,057,246)
Business-Type activities:							
Non-instructional programs:							
Nutrition services	293,751	180,040	91,990	0	0	(21,721)	(21,721)
Total business-type activities	293,751	180,040	91,990	0	0	(21,721)	(21,721)
Total	\$ 9,892,906	2,788,247	1,025,466	226	(6,057,246)	(21,721)	(6,078,967)
General Revenues and Transfers:							
Property tax levied for:							
General purposes				\$ 2,500,042	0	2,500,042	
Capital outlay				49,208	0	49,208	
Debt service				362,457	0	362,457	
Local option sales and services tax				544,188	0	544,188	
Unrestricted state grants				3,060,558	0	3,060,558	
Unrestricted investment earnings				148,647	0	148,647	
Transfers				(41,199)	0	(41,199)	
Other				74,969	0	74,969	
Total general revenues				6,698,870	0	6,698,870	
Changes in net assets				641,624	(21,721)	619,903	
Net assets beginning of year				3,329,700	19,713	3,349,413	
Net assets end of year				\$ 3,971,324	(2,008)	3,969,316	

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Other Nonmajor Governmental Funds	Total
Assets			
Cash and pooled investments:			
ISCAP(Note 5)	\$ 2,129,899	0	2,129,899
U.S. Treasury Securities on deposit with fiscal agent	0	178,555	178,555
Other	659,722	394,500	1,054,222
Receivables:			
Property tax:			
Delinquent	29,340	8,785	38,125
Succeeding year	2,128,424	588,922	2,717,346
Income surtax	265,664	0	265,664
Interfund	77,413	3,820	81,233
Accounts	10,287	479	10,766
Accrued ISCAP interest(Note 5)	27,516	0	27,516
Due from other governments	844,170	87,145	931,315
Prepaid expenses	7,897	0	7,897
Total Assets	\$ 6,180,332	1,262,206	7,442,538
Liabilities and Fund Balances			
Liabilities:			
Interfund payable	\$ 3,820	0	3,820
Accounts payable	546,361	6,804	553,165
Salaries and benefits payable	741,910	0	741,910
ISCAP warrants payable(Note 5)	2,134,000	0	2,134,000
ISCAP accrued interest payable(Note 5)	14,740	0	14,740
ISCAP unamortized premiums payable	12,679	0	12,679
Deferred revenue:			
Succeeding year property tax	2,128,424	588,922	2,717,346
Income surtax	265,664	0	265,664
Other	34,482	0	34,482
Total liabilities	5,882,080	595,726	6,477,806
Fund balances:			
Reserved for:			
Debt service	0	183,439	183,439
Talanted and gifted	17,958	0	17,958
Beginning teacher mentoring	3,222	0	3,222
Salary improvement program	16,690	0	16,690
Additional teacher contract day	2,969	0	2,969
Professional development	2,379	0	2,379
Market factor	3,033	0	3,033
Unreserved	252,001	483,041	735,042
Total fund balances	298,252	666,480	964,732
Total Liabilities and Fund Balances	\$ 6,180,332	1,262,206	7,442,538

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2007

Total fund balances of governmental funds (page 16) \$ 964,732

**Amounts reported for governmental activities in the
 statement of net assets are different because:**

Capital assets used in governmental activities are not
 financial resources and, therefore, are not reported as
 assets in in the governmental funds. 6,851,351

Accounts receivable income surtax, are not yet available
 to finance expenditures of the current period. 265,664

Accrued interest payable on long-term liabilities is not
 due and payable in the current period and, therefore, is
 not reported as liability in the governmental funds. (25,297)

Long-term liabilities, including general obligation bonds
 payable, capital loan notes payable, early retirement
 payable and compensated absences are not due and payable
 in the current period and, therefore, are not reported in
 the funds. (4,085,126)

Net assets of governmental activites (page 14) \$ 3,971,324

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 2,280,740	1,131,157	3,411,897
Tuition	2,416,577	0	2,416,577
Other	219,091	168,723	387,814
State sources	3,626,894	435	3,627,329
Federal sources	366,705	226	366,931
Total revenues	8,910,007	1,300,541	10,210,548
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	3,098,445	14,872	3,113,317
Special instruction	3,048,937	0	3,048,937
Other instruction	254,486	180,882	435,368
	6,401,868	195,754	6,597,622
Support services:			
Student services	205,935	0	205,935
Instructional staff services	190,944	0	190,944
Administration services	903,700	114,779	1,018,479
Operation and maintenance of plant services	501,537	129,026	630,563
Transportation services	294,634	70,644	365,278
	2,096,750	314,449	2,411,199
Other expenditures:			
Facilities acquisitions	0	762,944	762,944
Long-term debt:			
Principal	0	461,462	461,462
Interest	0	168,299	168,299
AEA flowthrough	235,532	0	235,532
	235,532	1,392,705	1,628,237
Total expenditures	8,734,150	1,902,908	10,637,058
Excess(deficiency) of revenues over(under) expenditures	175,857	(602,367)	(426,510)
Other financing sources(uses):			
Revenue bonds issued	0	360,000	360,000
Lease proceeds	0	53,050	53,050
Sale of real property	0	17,932	17,932
Sale of equipment	9,500	0	9,500
Transfers in	0	265,500	265,500
Transfers out	(3,820)	(302,879)	(306,699)
Total other financing sources(uses)	5,680	393,603	399,283
Net change in fund balances	181,537	(208,764)	(27,227)
Fund balance beginning of year	116,715	875,244	991,959
Fund balance end of year	\$ 298,252	666,480	964,732

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 18) \$ (27,227)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 815,543	
Depreciation expense	<u>(234,889)</u>	580,654

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.

43,998

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

Issued	\$ (413,050)	
Repaid	<u>461,462</u>	48,412

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(10,929)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	\$ 3,408	
Compensated Absences	<u>3,308</u>	<u>6,716</u>

Changes in net assets of governmental activities (page 15)

\$ 641,624

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

	<u>School Nutrition</u>
Assets	
Cash and pooled investments	\$ 17,516
Accounts receivable	9,379
Inventories	2,534
Capital assets, net of accumulated depreciation(Note 6)	<u>75,921</u>
Total Assets	<u>105,350</u>
Liabilities	
Interfund payable	76,663
Accounts payable	6,780
Salaries and benefits payable	20,166
Unearned revenue	<u>3,749</u>
Total Liabilities	<u>107,358</u>
Net Assets	
Invested in capital assets	75,921
Unrestricted	<u>(77,929)</u>
Total Net Assets	<u><u>\$ (2,008)</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2007

	<u>School</u> <u>Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 180,040
TOTAL OPERATING REVENUES	<u>180,040</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	96,233
Benefits	54,051
Services	586
Supplies	134,680
Depreciation	8,201
TOTAL OPERATING EXPENSES	<u>293,751</u>
OPERATING LOSS	<u>(113,711)</u>
NON-OPERATING REVENUES:	
State sources	3,360
Federal sources	88,630
TOTAL NON-OPERATING REVENUES	<u>91,990</u>
Change in net assets	(21,721)
Net assets beginning of year	<u>19,713</u>
Net assets end of year	<u>\$ (2,008)</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 178,148
Cash received from miscellaneous operating activities	310
Cash payments to employees for services	(151,661)
Cash payments to suppliers for goods or services	(112,305)
Net cash used in operating activities	<u>(85,508)</u>
Cash flows from non-capital financing activities:	
Transfer from General Fund	36,662
State grants received	3,174
Federal grants received	62,680
Net cash provided by non-capital financing activities	<u>102,516</u>
Net increase in cash and cash equivalents	17,008
Cash and cash equivalents at beginning of year	<u>508</u>
Cash and cash equivalents at end of year	<u><u>\$ 17,516</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (113,711)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	16,757
Depreciation	8,201
Increase in inventories	(576)
Increase in accounts payable	6,780
Decrease in salaries and benefits payable	(1,377)
Decrease in unearned revenue	(1,582)
Net cash used in operating activities	<u><u>\$ (85,508)</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u><u>\$ 17,516</u></u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$16,757.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 41,813	65,328
Accounts receivable	0	12,805
Total Assets	<u>\$ 41,813</u>	<u>78,133</u>
Liabilities		
Interfund payable	\$ 750	0
Accounts payable	0	77,531
Due to other groups	0	602
Total Liabilities	<u>750</u>	<u>78,133</u>
Net Assets		
Unrestricted	41,063	0
Total Net Assets	<u>\$ 41,063</u>	<u>0</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2007

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest	\$ 3,924
Deductions:	
Scholarships	4,060
Loss before other financing sources	(136)
Other financing sources:	
Transfer in	41,199
Change in net assets	41,063
Net assets beginning of year	0
Net assets end of year	\$ 41,063

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

The Woodward-Granger Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Woodward and Granger, Iowa, and the predominate agricultural territory in Dallas, Polk, and Boone Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Woodward-Granger Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Woodward-Granger Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Dallas, Polk, and Boone Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets help by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and

reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial

statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the support services function exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 158,760</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Interfund Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Private Purpose Trust	Special Revenue, Expendable Trust	\$ 41,199
Debt Service	Capital Projects	261,680
Debt Service	General	<u>3,820</u>
Total		<u>\$ 306,699</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Due from and Due to Other Funds

At June 30, 2007 the interfund receivables and payables consisted of the following:

Receivable Fund	Payable Fund	Amount
General Fund	Nutrition Fund	\$ 76,663
Capital Projects	General Fund	3,820
	Private Purpose	
General Fund	Trust	750
Total		<u>\$ 81,233</u>

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07A	6/28/06	6/28/07	\$ 0	10,174	0	0
2006-07B	1/26/07	1/25/08	750,082	16,930	752,000	14,388
2007-08A	6/28/07	6/27/08	1,379,817	412	1,382,000	352
Total			<u>\$ 2,129,899</u>	<u>27,516</u>	<u>2,134,000</u>	<u>14,740</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2006-07A	\$ 0	250,000	250,000	0

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%
2006-07B	4.250%	5.315%
2007-08A	4.500%	5.455%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 14,204	0	0	14,204
Construction in progress	3,084,154	655,029	3,688,113	51,070
Total capital assets not being depreciated	3,098,358	655,029	3,688,113	65,274
Capital assets being depreciated:				
Buildings	5,260,351	3,688,113	0	8,948,464
Machinery and equipment	374,740	160,514	0	535,254
Total capital assets being depreciated	5,635,091	3,848,627	0	9,483,718
Less accumulated depreciation for:				
Buildings	2,194,950	172,029	0	2,366,979
Machinery and equipment	267,802	62,860	0	330,662
Total accumulated depreciation	2,462,752	234,889	0	2,697,641
Total capital assets being depreciated, net	3,172,339	3,613,738	0	6,786,077
Governmental activities capital assets, net	\$ 6,270,697	4,268,767	3,688,113	6,851,351

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 133,460	0	0	133,460
Less accumulated depreciation	49,338	8,201	0	57,539
Business-type activities capital assets, net	\$ 84,122	(8,201)	0	75,921

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular \$ 20,010

Support services:

Instructional staff services 1,972

Administration 564

Operation and maintenance of plant 4,790

Transportation 35,524

62,860

Unallocated depreciation 172,029

Total governmental activities depreciation expense \$ 234,889

Business-type activities:

Food services \$ 8,201

Total business-type activities depreciation expense \$ 8,201

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 3,180,000	0	225,000	2,955,000	225,000
Revenue Bonds	685,000	360,000	165,000	880,000	265,000
Computer Leases	71,462	53,050	71,462	53,050	17,433
Early Retirement	192,749	24,592	28,000	189,341	36,000
Compensated Absences	11,043	7,735	11,043	7,735	7,735
Total	\$ 4,140,254	445,377	500,505	4,085,126	551,168

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year	Bond Issue of May 1, 2004			Bond Issue of July 1, 2004			Total		
Ending	Interest		Principal	Interest		Principal	Interest		Total
June 30,	Rates			Rates			Principal	Interest	
2008	2.30-2.50 %	\$ 225,000	9,278	5.00 %	\$ -	122,800	\$ 225,000	132,078	357,078
2009	2.60-2.75	195,000	3,840	5.00	30,000	122,801	225,000	126,641	351,641
2010		-	-	5.00	120,000	121,301	120,000	121,301	241,301
2011		-	-	5.00	125,000	115,300	125,000	115,300	240,300
2012		-	-	5.00	130,000	109,051	130,000	109,051	239,051
2013-2017		-	-	4.125-5.00	750,000	446,345	750,000	446,345	1,196,345
2018-2022		-	-	4.370-5.00	940,000	255,250	940,000	255,250	1,195,250
2023-2024		-	-	5.00	440,000	33,250	440,000	33,250	473,250
Total		\$ 420,000	13,118		\$ 2,535,000	1,326,098	\$ 2,955,000	1,339,216	4,294,216

Revenue Bonds Payable

Details of the District's June 30, 2007 revenue bonded indebtedness are as follows:

Year	Bond Issue dated June 1, 2005			Bond Issue dated August 27, 2006			Total		
Ending	Interest		Principal	Interest		Principal	Interest		Total
June 30,	Rate			Rate			Principal	Interest	
2008	3.00 %	\$ 165,000	17,182	4.35 %	\$ 100,000	15,660	\$ 265,000	32,842	297,842
2009	3.15	175,000	11,985	4.35	100,000	11,310	275,000	23,295	298,295
2010	3.30	180,000	6,210	4.35	105,000	6,960	285,000	13,170	298,170
2011	3.45	-	-	4.35	55,000	2,392	55,000	2,392	57,392
Total		\$ 520,000	35,377		\$ 360,000	36,322	\$ 880,000	71,699	951,699

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$75,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and

interest requirements of the revenue bonds for the fiscal year.

- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Computer Leases Payable

During the year ended June 30, 2007, the District entered into a computer leases for computers. The computer lease is payable from the Capital Projects, Local Option Sales and Services Tax Fund. Details of the District's indebtedness under the lease agreement in effect at June 30, 2007 are as follows:

Year Ending June 30,	Computer Lease			
	Interest Rates	Principal	Interest	Total
2008	1.44 %	\$ 17,433	758	18,191
2009	1.44	17,682	509	18,191
2010	1.44	17,935	257	18,192
Total		\$ 53,050	1,524	54,574

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 100% of a single plan health insurance coverage with the district's maximum expenditure not to exceed \$4,000. The coverage terminates upon the employee reaching age 65 or upon the death of the employee, whichever is first. Early retirement benefits paid during the year ended June 30, 2007, totaled \$28,000. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(8) Advance Refunding

On May 1, 2004, the District issued refunding bonds in the amount of \$1,070,000 to advance refund \$1,050,000 of outstanding general obligation bonds. The proceeds of the refunding issues have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified to be sufficient to pay all principal and all interest on the new advance refunding bonds added to the appropriate financial statements and schedules. The District remains contingently liable in the remote possibility the account is unable to pay the refunded bonds. At June 30, 2007, \$455,000 of such bonds are outstanding. Repayment of principal and interest for the year was \$210,000 and \$30,066.

(9) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$246,590, \$237,756 and \$206,816 respectively, equal to the required contributions for each year.

(10) Risk Management

Woodward-Granger Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$235,532 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Deficit Net Assets

The Enterprise - School Nutrition Fund had deficit unrestricted net assets of \$77,929 at June 30, 2007.

(13) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2007, expenditures in the support services function exceeded the amount budgeted.

(14) Construction Commitment

The District has entered into various general contracts totaling \$420,000. As of June 30, 2007, costs of \$51,071 had been incurred against the contracts. The balance of \$368,929 remaining at June 30, 2007 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 6,216,288	180,040	6,396,328	6,090,716	6,090,716	305,612
State sources	3,627,329	3,360	3,630,689	3,598,596	3,598,596	32,093
Federal sources	366,931	88,630	455,561	435,000	435,000	20,561
Total revenues	10,210,548	272,030	10,482,578	10,124,312	10,124,312	358,266
Expenditures:						
Instruction	6,597,622	0	6,597,622	7,117,671	7,300,000	702,378
Support services	2,411,199	0	2,411,199	1,998,000	2,400,000	(11,199)
Non-instructional programs	0	293,751	293,751	265,000	350,000	56,249
Other expenditures	1,628,237	0	1,628,237	1,742,130	2,000,000	371,763
Total expenditures	10,637,058	293,751	10,930,809	11,122,801	12,050,000	1,119,191
Excess(deficiency) of revenues over(under) expenditures	(426,510)	(21,721)	(448,231)	(998,489)	(1,925,688)	1,477,457
Other financing sources, net	399,283	0	399,283	0	0	399,283
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(27,227)	(21,721)	(48,948)	(998,489)	(1,925,688)	1,876,740
Balance beginning of year	991,959	19,713	1,011,672	1,126,095	1,126,095	(114,423)
Balance end of year	\$ 964,732	(2,008)	962,724	127,606	(799,593)	1,762,317

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing total expenditures by \$927,199.

During the year ended June 30, 2007, expenditures in the support services function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Capital Projects	Other Nonmajor Governmental Funds
Assets							
Cash and pooled investments:							
U.S. Treasury Securities on deposit with fiscal agent	\$ 0	0	0	0	178,555	0	178,555
Other	56,533	63,129	36,092	155,754	0	238,746	394,500
Receivables:							
Property tax:							
Current year delinquent	2,580	0	742	3,322	5,463	0	8,785
Succeeding year	180,000	0	51,842	231,842	357,080	0	588,922
Interfund	0	0	0	0	0	3,820	3,820
Accounts	479	0	0	479	0	0	479
Due from other governments	0	0	0	0	0	87,145	87,145
Total Assets	\$ 239,592	63,129	88,676	391,397	541,098	329,711	1,262,206
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 0	6,225	0	6,225	579	0	6,804
Deferred revenue:							
Succeeding year property tax	180,000	0	51,842	231,842	357,080	0	588,922
	180,000	6,225	51,842	238,067	357,659	0	595,726
Fund balances:							
Reserved:							
Debt service	0	0	0	0	183,439	0	183,439
Unreserved	59,592	56,904	36,834	153,330	0	329,711	483,041
Total fund balances	59,592	56,904	36,834	153,330	183,439	329,711	666,480
Total Liabilities and Fund Balances	\$ 239,592	63,129	88,676	391,397	541,098	329,711	1,262,206

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Special Revenue Funds							Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expend- able Trust	Total Special Revenue Funds	Debt Service	Capital Projects	
REVENUES:								
Local sources:								
Local tax	\$ 175,304	0	49,208	0	224,512	362,457	544,188	1,131,157
Other	0	150,997	0	0	150,997	8,504	9,222	168,723
State sources	129	0	42	0	171	264	0	435
Federal sources	0	0	226	0	226	0	0	226
TOTAL REVENUES	175,433	150,997	49,476	0	375,906	371,225	553,410	1,300,541
EXPENDITURES:								
Current:								
Instruction:								
Regular instruction	0	0	14,872	0	14,872	0	0	14,872
Other instruction	0	180,882	0	0	180,882	0	0	180,882
Support services:								
Administration services	44,399	0	0	0	44,399	1,850	68,530	114,779
Operation and maintenance of plant services	97,796	0	31,230	0	129,026	0	0	129,026
Student transportation	10,107	0	0	0	10,107	0	60,537	70,644
Other expenditures:								
Facilities acquisitions	0	0	47,570	0	47,570	0	715,374	762,944
Long-term debt:								
Principal	0	0	0	0	0	461,462	0	461,462
Interest	0	0	0	0	0	168,299	0	168,299
TOTAL EXPENDITURES	152,302	180,882	93,672	0	426,856	631,611	844,441	1,902,908
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	23,131	(29,885)	(44,196)	0	(50,950)	(260,386)	(291,031)	(602,367)
OTHER FINANCING SOURCES (USES):								
Revenue bonds issued	0	0	0	0	0	0	360,000	360,000
Lease proceeds	0	0	0	0	0	0	53,050	53,050
Sale of real property	0	0	17,932	0	17,932	0	0	17,932
Transfer in	0	0	0	0	0	265,500	0	265,500
Transfer out	0	0	0	(41,199)	(41,199)	0	(261,680)	(302,879)
TOTAL OTHER FINANCING SOURCES (USES)	0	0	17,932	(41,199)	(23,267)	265,500	151,370	393,603
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	23,131	(29,885)	(26,264)	(41,199)	(74,217)	5,114	(139,661)	(208,764)
FUND BALANCE BEGINNING OF YEAR	36,461	86,789	63,098	41,199	227,547	178,325	469,372	875,244
FUND BALANCE END OF YEAR	\$ 59,592	56,904	36,834	0	153,330	183,439	329,711	666,480

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletic Accounts:				
HS Athletics	\$ 20,524	39,796	65,325	(5,005)
HS Concessions	153	0	0	153
JH Concessions	108	0	0	108
HS Girls' Softball	1,988	0	1,988	0
HS Baseball	948	0	948	0
	<u>23,721</u>	<u>39,796</u>	<u>68,261</u>	<u>(4,744)</u>
Athletic Fundraiser:				
JH Boys' Basketball	129	0	0	129
JH Football	253	0	0	253
JH Girls' Basketball	381	0	0	381
JH Volleyball	209	0	0	209
Baseball	4,357	6,501	7,523	3,335
Girls' and Boys' Golf	29	0	0	29
HS Boys' Track	212	851	848	215
HS Boys' Basketball	893	1,080	1,158	815
HS Cross Country	2	0	0	2
HS Football	715	7,953	7,116	1,552
HS Girls' Track	32	447	0	479
HS Girls' Basketball	(69)	2,887	2,836	(18)
HS Girls' Softball	100	1,800	1,489	411
HS Girls' Volleyball	3,621	2,948	4,130	2,439
Weightlifting	28	0	0	28
Wrestling HS	1,379	3,904	3,368	1,915
Elementary Girls Basketball	688	0	0	688
	<u>12,959</u>	<u>28,371</u>	<u>28,468</u>	<u>12,862</u>
Activities Accounts:				
Art Fundraiser	1,460	2,359	3,508	311
Band and Chorus	5,221	5,838	8,366	2,693
Book Orders	0	7,611	7,607	4
Petty Cash	75	0	0	75
Change	400	0	0	400
Yearbook	3,444	5,262	3,778	4,928
2003-04 Yearbook	321	0	321	0
Student Public Relations	0	289	102	187
Tri-M Fundraiser	739	150	156	733
HS Cheerleaders	2,247	1,121	3,368	0
Grounds Beautification	353	0	0	353

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Activities Accounts(cont):				
Class of 2005	44	0	44	0
Class of 2006	475	60	279	256
Class of 2007	2,086	3,184	2,919	2,351
Class of 2008	5,898	12,836	15,930	2,804
Class of 2009	667	7,580	3,414	4,833
Class of 2010	0	420	53	367
Concession Stand	1,492	0	0	1,492
Drama	3,068	2,162	1,543	3,687
Drama Club	475	226	230	471
Field Trips	0	5,673	5,673	0
Clearing	0	1,368	1,368	0
Elementary Fundraiser	1,004	999	26	1,977
Flag Team Fundraiser	315	0	0	315
Interest	0	3,290	0	3,290
MS Student Council	1,453	1,075	1,831	697
MS Cheerleaders	213	50	201	62
Grandwood Fundraiser	69	3,047	5,671	(2,555)
TAG Fundraiser	222	0	0	222
Miscellaneous	181	0	0	181
Emergency Fund	535	0	0	535
HS Student Council	2,182	2,930	4,865	247
W-G Planners	272	0	0	272
Spanish Club	1,346	0	70	1,276
MS Science Fundraiser	83	0	0	83
Jazz Festival	3,142	7,885	7,190	3,837
Marketing Fundraiser	978	3,176	2,818	1,336
HS Dance Team	1,075	807	859	1,023
HS Fundraiser	2,828	1,501	1,061	3,268
MS Fundraiser	2,314	1,144	885	2,573
History Club	(209)	209	0	0
Washington DC Trip	1,407	0	0	1,407
Industrial Arts	2,234	578	17	2,795
	50,109	82,830	84,153	48,786
Total	\$ 86,789	150,997	180,882	56,904

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2007

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>Local Option Sales and Service Tax</u>				
ASSETS				
Cash and pooled investments	\$ 31,064	210,907	177,245	64,726
Accounts receivable	0	12,805	0	12,805
	<u>\$ 31,064</u>	<u>223,712</u>	<u>177,245</u>	<u>77,531</u>
LIABILITIES				
Accounts payable	\$ 31,064	223,712	177,245	77,531
Due to other groups	0	0	0	0
	<u>\$ 31,064</u>	<u>223,712</u>	<u>177,245</u>	<u>77,531</u>
<u>Teacher Pop</u>				
Cash and pooled investments	\$ 133	1,065	596	602
LIABILITIES				
Due to other groups	\$ 133	718	249	602
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and pooled investments	\$ 31,197	211,972	177,841	65,328
Accounts receivable	0	12,805	0	12,805
	<u>\$ 31,197</u>	<u>224,777</u>	<u>177,841</u>	<u>78,133</u>
LIABILITIES				
Accounts payable	\$ 31,064	223,712	177,245	77,531
Due to other groups	133	718	249	602
	<u>\$ 31,197</u>	<u>224,430</u>	<u>177,494</u>	<u>78,133</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$	3,411,897	2,970,812	2,866,489	2,485,726
Tuition		2,416,577	2,369,680	2,367,322	1,416,833
Other		387,814	367,226	321,089	271,143
State sources		3,627,329	3,201,767	3,034,280	2,512,232
Federal sources		366,931	392,317	371,799	344,294
Total	\$	10,210,548	9,301,802	8,960,979	7,030,228
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$	3,113,317	2,672,466	2,492,078	2,537,706
Special instruction		3,048,937	2,804,889	2,832,695	1,930,535
Other instruction		435,368	639,858	618,314	416,418
Support services:					
Student services		205,935	181,587	222,986	214,108
Instructional staff services		190,944	251,380	182,376	157,706
Administration services		1,018,479	997,818	688,281	675,188
Operation and maintenance of plant services		630,563	518,574	429,979	472,061
Transportation services		365,278	356,718	248,768	203,210
Other expenditures:					
Facilities acquisitions		762,944	1,486,917	1,877,531	199,688
Long-term debt:					
Principal		461,462	336,864	304,313	235,000
Interest		168,299	163,341	151,545	76,235
AEA flow-through		235,532	206,218	193,002	184,489
Total	\$	10,637,058	10,616,630	10,241,868	7,302,344

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Woodward-Granger Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Woodward-Granger Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 12, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Woodward-Granger Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Woodward-Granger Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Woodward-Granger Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Woodward-Granger Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Woodward-Granger Community School District's financial statements that is more than inconsequential will not be prevented or detected by Woodward-Granger Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Woodward-Granger Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Woodward-Granger Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Woodward-Granger Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Woodward-Granger Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Woodward-Granger Community School District and other parties to whom Woodward-Granger Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Woodward-Granger Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 12, 2008

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-07 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st. The District should submit the outstanding checks to the State Treasurer as unclaimed property.

Response - We will eliminate the outstanding checks in all accounts.

Conclusion - Response accepted.

I-C-07 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. There were no adjustments in the Nutrition Fund made for the changes in inventories, capital assets, student lunch account balances or commodities received.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - We will investigate available training and try to improve our system.

Conclusion - Response accepted.

- I-D-07 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.

Response - We will develop a method for keeping track of non-certified staff coaches.

Conclusion - Response accepted.

- I-E-07 Supporting Documents for Payments to Officials - Payments made to officials from the Student Activity fund do not have supporting documentation. Officials are being paid from a listing.

Recommendation - The copy of the contract made for each official should be used as the support for payment. The source documents should be preserved by the Board Secretary per Chapter 291.6 of the Code of Iowa. The District should review their procedures and implement necessary changes.

Response - We will provide the necessary contract.

Conclusion - Response accepted.

- I-F-07 Receipting Procedures - We noted that sponsors of student organizations were collecting money from individuals, fundraising events and other revenue fees. These collections are turned into the office for receipting, depositing and posting only after the event or fundraising drive is completed. When the money is turned into the office there does not appear to be supporting documentation for the money collected that later could be used for reconciliation uses. We noted that once collected at the office, these were handled in a comparable manner as receipts directly delivered to the office, where receipts are given and deposited. The copies of the receipts issued at the buildings are provided to the central office for posting and reconciling the bank statement. There does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit.

It was also noted that the nutrition fund does not issue receipts for money collected. The total collections are turned into the office, but lack the supporting documentation necessary to perform reconciliation.

Recommendation - The district actually maintains multiple layers of receipting from, sponsors, to the building office, to the central office. When sponsors or fundraising chairpersons submit money to the office for multiple previously collected receipts, they should provide documentation of their receipts. This documentation should be used when reconciling deposits to receipts.

Response - We will provide receipts for money received.

Conclusion - Response accepted.

I-G-07 Student Activity Funds - During our audit concerns arose about certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear the some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended. More specific examples of these instances of questioned items and recommendations are as follows:

There is a change, petty cash, interest, miscellaneous and an industrial arts account. The interest earned each year should be allocated at least on an annual basis to the individual activity accounts. The miscellaneous account should be closed and moved to a legitimate student run organization or moved to the General fund. The change and petty cash accounts should be closed and have the money taken out of the student activity account in which the funds are being used. Revenues and expenditures from the industrial art account would appear to not meet the criteria of the Student Activity Fund. The funds in these accounts would be more appropriately handled through the General Fund.

There are numerous accounts that had balances at the end of the year that didn't have any revenues or expenditures during the current year. The District should look at these accounts to determine if they can remain open or if they should be closed out to another account within the Student Activity Fund. These accounts can be viewed on Schedule 3 of this report.

Response - We will review our procedures for dealing with student activity funds.

Conclusion - Response accepted.

I-H-07 Gate Admissions - It was noted that the District does not utilize pre-numbered tickets for event admissions and a reconciliation is not performed after the event.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.

- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - We will investigate better alternatives for collecting gate money.

Conclusion - Response accepted.

- I-I-07 PPEL Expenditures - We noted that the District is currently making purchases from Special Revenue, Physical Plant and Equipment Levy(PPEL) Fund which do not appear to be in compliance with Chapter 298.3 of the Code of Iowa. The District purchased 55 chairs for \$6,141.50, which was below the single unit price of \$500.

Recommendation - The District should review their procedures to ensure that purchases made from these funds are in compliance with 298.3 of the Code of Iowa. The District needs to make a corrective transfer from the General Fund to the PPEL Fund in the amount of \$6,141.50.

Response - We will make the corrective transfer.

Conclusion - Response accepted.

- I-J-07 Insurance Dividend - It was noted during the audit that the District recorded a dividend from the property insurance of \$8,484.43 into the General Fund. The District has, however, paid for the premium out of the Special Revenue, Management Levy Fund.

Recommendation - The District should make a corrective transfer from the General Fund to the Management Levy Fund in the amount of \$8,484.43.

Response - The transfer has been completed.

Conclusion - Response accepted.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting

- II-A-07 Certified Budget - District expenditures for the year ended June 30, 2007 exceeded the amount budgeted in the support services function.

Recommendation - The budget was amended in all areas, however, it was still exceeded in the support services function.

Response - We will amend the budget correctly in the future if necessary.

Conclusion - Response accepted.

- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-07 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mike Blaser, Bus Driver Owner of Blaser Electric	Electrical work	\$5,626
Bernard Bunk, Bus Driver Owner of Bernard's	Repairs	\$62,465

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the employees do not appear to represent a conflict of interest.

- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will provide the minutes within two weeks.

Conclusion - Response accepted.

II-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-J-07 Financial Condition - The District had deficit unrestricted net assets of \$77,929 in the Enterprise-School Nutrition Fund. The District also had negative account balances within the Special Revenue, Student Activity Fund.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - We will develop a workout plan.

Conclusion - Response accepted.

II-K-07 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - We will contact our bank and have the situation corrected.

Conclusion - Response accepted.